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Fifty-seventh session
Agenda items 19 and 39

Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples

Question of the Falkland Islands (Malvinas)

Letter dated 8 October 2002 from the Permanent Representative of Argentina to the United Nations addressed to the Secretary-General

On instructions from my Government, I wish again to refer to the White Paper entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories", which is mentioned in resolution 56/72 adopted by the United Nations General Assembly at its most recent session.

In this connection, the Government of the Argentine Republic wishes to reiterate its rejection of this White Paper insofar as it refers to the Malvinas, South Georgia and South Sandwich Islands and rejects the designation of these colonial Territories subject to a sovereignty dispute as British Overseas Territories and any other similar designation, as well as any plan to introduce unilateral modifications in the situation while the sovereignty dispute is pending.

The Argentine Government wishes to recall once again that the United Nations General Assembly adopted resolutions 2065 (XX), 3160 (XXVIII), 31/49, 37/9, 38/12, 39/6, 40/21, 41/40, 42/19 and 43/25, in which it recognizes the existence of a sovereignty dispute between the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland concerning the Malvinas, South Georgia and South Sandwich Islands and the surrounding maritime areas. In addition, the General Assembly defined the question as a special and particular colonial case that must be resolved through bilateral negotiations between the two Governments, with the good offices of the United Nations Secretary-General, who is to report to the General Assembly on the progress made.

The Argentine Republic reaffirms its rights of sovereignty over the Malvinas, South Georgia and South Sandwich Islands and the surrounding maritime areas, which are an integral part of its national territory.

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I should be grateful if you would arrange for this note to be circulated as a document of the General Assembly, under agenda items 19 and 39.

(*Signed*) Arnoldo M. **Listre**
Ambassador
Permanent Representative

United Nations A/57/462

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Fifty-seventh session
Agenda item 76
United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East*

Rapporteur: Mr. Hans **Brattskar** (Norway)

Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East describes the activities of the Group during 2002 and provides a detailed outline of the current financial situation of the Agency. The Working Group unanimously adopted the report at its 126th meeting, on 10 October 2002. As in previous reports of the Group, the present report closes with a number of concluding remarks addressed to all Member States.

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* In accordance with paragraph 1, section C, of General Assembly resolution 54/248, this report is being submitted on 10 October 2002 following its adoption by the members of the Working Group on the Financing of UNRWA.

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I. Introduction

Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the General Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group[1] (most recently, A/56/430) and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (most recently, resolution 56/53).[2]

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mehmet U. Pamir (Turkey).

II. Activities of the Working Group during 2002

4. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 27 September and 10 October 2002, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 10 October 2002.

5. At an informal meeting, on 27 September 2002, the Working Group was briefed by the Chief of the New York liaison office of UNRWA, who submitted an up-to-date report on the financial situation of the Agency. The Working Group gave further consideration to that report at its 126th meeting, on 10 October 2002 (see sect. III below).

III. Financial situation of the Agency

6. UNRWA faced a critical financial outlook for 2001 at the beginning of the year, which was subsequently alleviated by increased donor contributions as well as cost-constraining measures that enabled it to end the year with a positive working capital for the first time in 10 years. In 2001, UNRWA had an income of $302.9 million, of which $280.8 million ($256 million in 2000) was for the cash portion of the regular budget and $22.1 million for the in-kind portion ($14.9 million in 2000). Those funds were received against a regular budget of $310.4 million, of which $289.7 million represented the cash portion and $20.7 million the in-kind portion, leaving a deficit of $8.9 million in the funding of the General Assembly-approved

cash budget ($289.7 million minus $280.8 million). Furthermore, the projects budget for 2001 was underfunded by $36.8 million.

7. In cash terms, the Agency ended the year 2001 with no cash for its General Fund. The $46.3 million in cash appearing in the Agency's financial statement for the year ended 31 December 2001 was in respect of earmarked contributions for non-regular budget activities, namely projects and the emergency appeals. The Agency's working capital, which was fully depleted in 1999 and stood at negative $4.9 million at the end of 2000, had been built up to $8.5 million by the end of 2001. This level of working capital reserves fell far short of the minimum level of $28 million, representing average monthly expenditure, of which $17 million is for the Agency's payroll for the 23,000 members of its area staff.

8. Repeated funding shortfalls in recent years have severely eroded the cash position of UNRWA, as measured by the amount of cash on hand to meet obligations. Nevertheless, there were still at the end of 2001 outstanding and unpaid pledges amounting to $23.4 million pertaining to the regular budget. Further strain was exerted on the cash position of UNRWA by the non-reimbursement of amounts owed to the Agency, namely $23.0 million paid by UNRWA for the value-added tax (VAT) and due for reimbursement by the Palestinian Authority. The total amount of port charges due to the Agency is $7.5 million. The Agency's position is that the obligation to pay port and related charges remains with Israel pursuant to the terms of the 1967 Comay-Michelmore Agreement. A deficit of $5.1 million in the account set up to fund the costs of transferring UNRWA headquarters from Vienna to Gaza and Amman remains. The move was completed in 1996, but the budget for it remained underfunded and costs had to be met on a temporary basis from other accounts.

9. By the end of September 2002, based on confirmed pledges and other incomes, the Agency faced the prospect of a funding gap in its 2002 regular cash budget of $16.7 million. Income for 2002 is expected to be $279.3 million (of which $271.3 million is contribution income, $2 million interest income and $6 million exchange rate gains), against a revised cash expenditure of $296.0 million. At the informal meeting of the Agency's major donors and authorities hosting the refugees, held in Amman on 24 and 25 September 2002, UNRWA reiterated the hope that the 2002 budget would be fully funded, affording a further allocation towards rebuilding the Agency's working capital and allowing a modest salary increase for the Agency's 23,000 area staff needed to reduce the continuing deterioration in competitiveness of UNRWA as an employer in its five fields of operations. Furthermore, of the $271.3 million of contribution income expected for the regular budget in 2002, only $189.8 million had been received by the end of September 2002 and $81.5 million was still outstanding.

10. In recent years, the Agency's major donors have responded repeatedly and generously to the special appeals made by the Secretary-General and the Commissioner-General for the funding of the regular and project budgets of UNRWA. Once again, in 2001 and 2002, the Commissioner-General and his colleagues have made strenuous efforts to keep donors informed, through the sharing of quarterly financial reports, periodic progress reports in respect of emergency operations and the holding of regular consultations with donors and the host authorities. At the same time, the Agency has continued to try to attract a reliable, sustainable flow of funds so that stopgap measures were not depended upon

to meet ongoing and growing funding needs. In that context, UNRWA had appealed to donors to make payments of pledged contributions earlier in the calendar or budget years, and to ensure the payment of pledges on time.

11. While the Working Group welcomed donor support for the Agency's emergency appeals for humanitarian assistance in the Occupied Palestinian Territory following the outbreak of strife in September 2000, it remained concerned about the increasing shortfalls in funding for its 2001-2002 appeals. Against a total request of $116.3 million for emergency appeals during 2001, the Agency received $87.5 million in pledges. Some $10 million of the total amount pledged remains outstanding. Against a total request of $172.9 million for Emergency Appeals during 2002,[3] the Agency has received $87.5 million in pledges. Some $40.6 million of the total amount pledged remains outstanding. The Working Group encouraged donors to increase their contributions to the Agency's 2002 appeals and to pay outstanding contributions for both the 2001 and 2002 appeals. The shortfalls in emergency appeal contributions have seriously affected the Agency's ability to order the various food commodities needed, thus delaying several of the planned emergency food distributions in the West Bank and the Gaza Strip. The Agency's strained cash flow situation and the absence of sufficient working capital or reserves have prevented it from advancing other funds towards meeting those requirements pending the receipt of donor contributions to fund those activities.

12. The Agency's budget requirements for the biennium 2002-2003, estimated at $791.7 million, were approved by the General Assembly at its fifty-sixth session. Of the $791.7 million biennial allocation, $386.3 million is allocated for 2002. Of this amount, $308.8 is for the cash element of the regular budget, around $22 million for the in-kind element of the regular budget and $55.5 million for projects. The budgetary requirement for 2003 is $405.4 million, of which $321.1 million is for the cash portion of the regular budget, $22.9 million for the in-kind part and $61.4 million for projects. The budget for the biennium 2002-2003 reflected the bare minimum funding requirements needed to sustain essential services at the current level and to meet the additional funding requirements that resulted from the integration of new educational programmes in the school curricula of the host authorities.

IV. Concluding remarks

13. **The Working Group is once again deeply concerned about the financial prospects for UNRWA, in particular, after repeated funding shortfalls have affected the ability of the Agency to continue the level and quality of the services provided by the Agency to 4 million Palestine refugees. The Group emphasizes that it is the responsibility of the international community to ensure the maintenance of UNRWA services of acceptable quality, and to ensure that service levels keep pace with the steady natural growth of the refugee population.**

14. **The Working Group appreciates that UNRWA has made significant progress towards reducing the impact of the structural deficit problem that plagued the Agency in previous years, through such measures as the introduction of the 1999 Area Staff Rules, which have lowered the Agency's staff costs, and reductions in international staffing funded by the Agency's**

General Fund. The Group commends the Commissioner-General and all UNRWA staff for their tireless efforts to maintain the basic operations of the Agency, despite the constraints on the availability of resources that they have faced. It commends the Commissioner-General also for his fund-raising efforts and for his commitment to keeping the major donors and host authorities informed and involved, opening new avenues of support and funding and seeking a broader base of donors. The Group also noted with satisfaction that the General Assembly approved the establishment of five additional posts requested in the 2002-2003 budget.

15. In order to address all aspects of the Agency's financial woes, the Working Group calls for the early and complete fulfilment of pledges and other commitments to UNRWA, in particular the reimbursement of value-added tax and port charges by the Palestinian Authority and the Israeli Government and the payment of funds for the move of UNRWA headquarters to the area of operations. On the issue of value-added tax, the Working Group noted with appreciation that the Palestinian Authority had introduced a zero rating system for VAT in the Gaza Strip and was considering its extension to the West Bank. The Group was, however, concerned over the refusal of the concerned authorities in Israel to pay at the request of the Palestinian Authority $15 million of its funds held by Israel directly to UNRWA to settle a major part of the VAT owed to the Agency by the Palestinian Authority.

16. With reference to the move of UNRWA headquarters from Vienna to Gaza and Amman, the Working Group took note of the Commissioner-General's efforts following the Working Group's 2001 report towards settling this account in line with the view of the Agency's Advisory Commission expressed in the 25 September 2001 letter from the Chairman of the Commission to the Commissioner-General that the "amount in question should be paid to the Agency by the United Nations as soon as possible". The Working Group reiterates the view expressed in its 2001 report, namely that the $5.1 million outstanding with respect to expenses incurred by the Agency on the move of its headquarters to Gaza should be paid to the Agency by the United Nations as soon as possible.

17. The Working Group expresses alarm at the continuing negative effect successive austerity measures adopted in previous years have had on the Agency's humanitarian operations. The Group noted with concern that the Agency's expenditure per refugee dropped from an average $200 per year per refugee in the 1970s to less than $70 per year per refugee in the 1990s. Past austerity measures and continuing funding shortfalls have affected the ability of programmes to expand at a rate commensurate with the growth in the refugee population, and in some cases have necessitated curtailments of ongoing programme activities. Most seriously, these measures have led to double-shifting and increased class sizes in Agency schools, rising patient/staff ratios in the health services and higher caseloads for social workers dealing with the poorest refugees.

18. The Working Group is also concerned that the continued freeze on former regular budget allocations such as university scholarships and rehabilitation of shelters have not only reduced the Agency's activities in those areas, but also made them dependent on extrabudgetary contributions. Similarly, cuts on

allocations for maintenance of facilities have led to the deterioration of the Agency's extensive physical assets. The Group is gravely concerned at the impact of these measures on the lives of the Palestine refugees. The Group fears that budget cuts could cause severe social and economic hardship to an already suffering refugee population, and therefore place an increased burden on the authorities hosting the refugees. The Group continues to believe that UNRWA plays a vital role in preserving the stability and security of the region, and that adequate funding of the Agency's programmes is essential to ensuring this stability.

19. In order to enable UNRWA to fully implement emergency assistance to Palestine refugees in the West Bank and Gaza envisaged under the Agency's emergency appeals, the Working Group urges the international community to do its utmost to meet the target of $172.9 million for the 2002 appeals as soon as possible.

20. The Working Group agrees that the problem of the refugees is deeply rooted in a political issue which originated more than half a century ago, and that it remains essential to settle this problem once and for all in accordance with all relevant United Nations resolutions. The problems faced by the refugees today are, however, humanitarian ones that must be addressed as a shared international responsibility. The services provided by UNRWA must be viewed as the minimum required to enable the refugees to lead productive lives. Any further reduction in those services would not only unfairly deprive the refugees of the minimum level of support to which they are entitled, but could also have a destabilizing effect on the entire region. Above all, the Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency and requests that Governments contribute to it, should be translated into measures to ensure the survival of the Agency on a secure financial basis.

21. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2003, and once again:

(a) Urges Governments that have not yet contributed to UNRWA to start to do so;

(b) Urges Governments that have so far made only relatively small contributions to increase their contributions;

(c) Urges Governments that in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing or to increase their contributions;

(e) Urges Governments to consider making special contributions sufficient to cover the deficit and build up working capital, so that UNRWA services can continue uninterrupted and the Agency can restore services cut as a result of the austerity measures, and to ensure that donor support of

emergency-related and special programmes or capital projects does not in any way decrease or divert contributions to the Agency's regular programmes.

Notes

[1] For the consideration of the most recent report of the Working Group (A/56/430), see A/56/549.

[2] The most recent resolution is General Assembly resolution 56/53.

[3] This includes a year-long $117.2 million appeal and a $55.7 million supplementary appeal necessitated by the major deterioration in humanitarian conditions resulting from the reoccupation by Israeli forces of Palestinian population centres in the West Bank and military operations in the Gaza Strip.

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The situation in the Middle East

Measures to eliminate international terrorism

Security Council
Fifty-seventh year

Letter dated 10 October 2002 from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General

I am writing to draw your attention to the latest incident of Palestinian terrorism directed at the citizens of Israel.

This morning, at approximately 8.00 a.m. (local time), a Palestinian terrorist detonated explosive charges strapped to his body near Bar Ilan University, just north of Tel Aviv, killing Saada Aharon, age 71, and wounding 30 others. The terrorist had attempted to board a public bus but slipped and fell to the ground. The bus driver, thinking the terrorist was an injured passenger, came to his aid. Upon discovering the terrorist's explosive belt, passengers fled the area. The terrorist pursued them, and detonated his explosives in a crowd of people on the street.

Meanwhile, Israeli forces have successfully thwarted a number of attempted attacks in recent days. Yesterday, a Palestinian terrorist attempted to infiltrate the community of Morag but was stopped by security forces. Also yesterday, a 100-kilogram bomb, hidden in a hot water boiler, was discovered in Gush Katif. On Sunday, a suicide bomber was intercepted by security forces between Chermesh and Baka el-Sharqiya.

Israel holds the Palestinian Authority responsible for today's attack as well as for ongoing efforts by Palestinian terrorist groups to murder and maim Israeli civilians. More than two years into the Palestinian terrorist campaign, the Palestinian leadership remains steadfast in its refusal to take even the most minimal steps to fulfil its signed commitments and obligations, under international law and in accordance with the resolutions of the Security Council, to prevent acts of terror emanating from the territories under its jurisdiction.

Rather than fulfilling its obligation under Security Council resolution 1435 (2002) to arrest terrorists and bring them to justice, Palestinian security forces are instead focusing their efforts on arresting so-called "collaborators", as reflected in recent reports that 18 Palestinians have been detained by Chairman Arafat's forces.

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In describing the arrests, one Palestinian security official was quoted as saying the following: "The Palestinian Authority has declared an all-out and uncompromising war on collaborators in order to purify the Palestinian society from their crimes that are distorting the image of the Palestinian struggle." No similar "uncompromising war" has yet been declared on the terrorists that wilfully target innocent civilians for murder and who continue to obstruct any chance for progress towards a final settlement of the conflict in the Middle East.

In the absence of such steps, Israel is compelled to take measures to protect its citizens from the unrelenting threat of Palestinian terrorism. Palestinian terrorists have employed every available means to obscure the distinction between themselves and the civilian populations they target and hide behind. Such flagrant violations are part of a deliberate attempt to maximize the harm inflicted on innocent civilians. The threat to peace and security in the Middle East originates first and foremost from the reckless disregard of Palestinian terrorists for the lives of innocents.

Israel calls on the international community to condemn in the strongest terms suicide bombings and other criminal acts of terrorism, as well as the ongoing support and involvement of the current Palestinian leadership in such acts. Israel also calls upon the Palestinian leadership to fulfil its obligations, to arrest terrorist leaders and bring them to justice, as required by resolution 1435 (2002), and to end incitement in the official media and all financial, logistical and moral support for acts of terrorism, in accordance with its signed commitments and the resolutions of the Security Council, in particular resolution 1373 (2001). Only an end to the heinous campaign of Palestinian terrorism, with its terrible cost in Israel and Palestinian lives, can restore hope of achieving a lasting settlement between Israelis and Palestinians.

I submit the present letter in follow-up to numerous letters detailing the campaign of Palestinian terrorism that began in September 2000.

I should be grateful if you would arrange to have the text of the present letter circulated as a document of the fifty-seventh session of the General Assembly, under agenda items 160 and 36, and of the Security Council.

(*Signed*) Yehuda **Lancry**
Permanent Representative

United Nations A/57/464

General Assembly

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Fifty-seventh session
Agenda item 112
Programme budget for the biennium 2002-2003

Presentation of estimates of staff assessment

Report of the Secretary-General*

Summary

The present report has been prepared pursuant to paragraph 14 of General Assembly resolution 56/253 of 24 December 2001, in which the Assembly requested the Secretary-General to report on options in regard to the format currently used for the presentation of estimates, gross and net, of staff assessment, with a view to enhancing comparability with other organizations of the United Nations system. The report covers the current format in use by the United Nations, an earlier related review on the single-section consolidation of staff assessment inflows and outflows, and an assessment of comparability across the formats and related arrangements in use for the presentation of estimates of staff assessments by organizations of the United Nations system.

* The delayed submission of the present report is due to the consultations required with organizations of the United Nations system.

02-63451 (E) 161002

I. Introduction

1. The present report has been prepared pursuant to paragraph 14 of General Assembly resolution 56/253 of 24 December 2001, in which the Assembly requested the Secretary-General to review the format currently used for the presentation of estimates, gross and net, of staff assessment, with a view to enhancing comparability with other organizations of the United Nations system, and to report on options in that regard to the General Assembly at its fifty-seventh session.

II. Current budgetary presentation

2. In accordance with established budgetary procedures of the United Nations, provision is made on a gross basis under the expenditure estimates for assessable emoluments of its staff members other than post adjustment payments. Staff costs are shown net of staff assessment under the various expenditure sections of the programme budget. The difference between gross and net emoluments is requested as a global amount under expenditure section 32. Amounts withheld in the form of staff assessment are revenue to the Organization, which, to the extent not otherwise disposed of by specific resolution of the General Assembly, is credited to the Tax Equalization Fund for the purposes envisaged in General Assembly resolution 973 A (X) of 15 December 1955. Member States are given credit in that Fund in accordance with the scale of assessments for the regular budget applicable to the financial year concerned. Accordingly, the amount requested under expenditure section 32 is also included in income section 1, Income from staff assessment.

3. As a result of the procedures outlined above, the format of the regular budget presents staff assessment as both an expenditure item under section 32 and as income under income section 1, which includes the revenues generated under section 32 and the staff assessment derived from the expenditure portions under income section 3.

III. Earlier review of the possibility of a single consolidated section

4. In paragraph 24 of its resolution 54/249 of 23 December 1999, the General Assembly requested the Secretary-General to explore the possibility of presenting in future programme budgets one consolidated section for staff assessment inflows and outflows, with a view to improving the transparency of the presentation of the budget. In summarizing follow-up action taken to implement recommendations relevant to section 32 of the proposed programme budget for 2002-2003, it was noted that the requested single consolidated section to present all inflows and outflows could not be encompassed solely within the regular budget, as the related funds are linked to the Tax Equalization Fund, which pools revenues and expenditures related not only to the regular budget but also to those derived from peacekeeping operations and tribunals as assessed funds.[1] The simplicity sought was not available as a result of the inherently complex nature of the multiple transactions required in handling a large group of assessments that are accounted for under different financial periods, some of which are biennial and others annual.

5. In reviewing the proposed programme budget for 2002-2003, the Advisory Committee on Administrative and Budgetary Questions noted that, for these reasons, the request of the General Assembly to present one consolidated section for staff assessment inflows and outflows could not be implemented.[2]

IV. Comparability with other organizations of the United Nations system

6. The annex to the present document outlines the formats in use by a number of other organizations of the United Nations system for the presentation of estimates of staff assessment. From the information summarized in the annex, the arrangements in use for staff assessment may be grouped into the following three broad categories:

(a) Organizations with a budgetary presentation on a net basis, with staff assessment added as an additional line item to arrive at a total budget or total appropriation on a gross basis, and with offsetting credits under tax equalization fund arrangements:

(i) Each section of the budget is presented on a net basis, but the overall budget or total appropriation is presented on a gross basis;

(ii) Member States are assessed on the total appropriation, and a tax equalization fund is used

to credit member States with their share of the staff assessment appropriation; however, for member States which levy tax on their nationals, the credit is reduced by estimated taxes to be paid in respect of those nationals;

(b) Organizations with a budgetary presentation and total appropriation on a net basis, with reimbursements received under a tax reimbursement agreement:

(i) Budget and appropriation is presented on a full net basis;

(ii) Member States are assessed on the total appropriation, and under a tax reimbursement agreement between the organization and a member State, a separate direct reimbursement is received in respect of amounts paid for taxes of nationals covered by such agreements;

(c) Organizations with a budgetary presentation on a gross basis at the section level (that is, staff costs under each section include any applicable taxes to be paid for staff members), with no reimbursement arrangements with member States in respect of taxes;

(i) Each section of the budget as well as the related total appropriation includes all staff costs, including those in respect of taxes which may be incurred;

(ii) No reimbursement arrangements are made with member States in respect of taxes paid by the organization on behalf of nationals of a member State.

7. An analysis of the information presented in the annex indicates that FAO and WHO utilize a presentation which falls into the first category, and which is comparable to that used by the United Nations. This presentation applies assessment on a gross basis, with a credit received where applicable. IAEA, ICAO, ILO, IMO, ITU, UNIDO, UPU, WMO and WIPO utilize a presentation which falls into the second category, and which is based on assessments net of staff assessment estimates. UNESCO utilizes a presentation which falls into the third category listed above, whereby taxes incurred are treated the same as other costs and no reimbursement is received from member States which levy taxes on UNESCO emoluments.

8. The formats described in paragraph 6 (b) and (c) both result in a more simplified budget presentation. In these cases, staff assessment is not distinctly identified, since it is either a part of staff costs, or not included in the budget at all. However, the simplification achieved in utilizing these presentations must be weighed against the resulting impact on transparency, completeness, and comparability of information presented in the budget.

9. The presentation used by FAO, WHO and the United Nations is based on the reflection of costs net of the staff assessment at the programme and subprogramme level. For these organizations, an estimate of staff assessment is added as a global amount under a separate expenditure section, or as an additional line item, to arrive at the total appropriation. While this presentation is more complex than the other two, it facilitates the comparison of the programme of work and budget proposals at the level of each section or programme on a net basis, at the global level on a gross basis, and at the global level on a net basis (by subtracting the global staff assessment estimate).

10. Given the different arrangements in use at present throughout the United Nations system, a change in presentation from the format currently followed by the United Nations would not enhance overall comparability. A change from the presentation of overall estimates on a gross basis to a full net-basis format for the presentation of estimates would limit the ability to compare estimates at the global level on a gross basis, given the absence of a reference to staff assessment amounts in the budget or appropriation. While the presentation followed by UNESCO is consistent with the absence of tax reimbursement arrangements for that organization, it is not considered compatible with the current United Nations arrangements for such reimbursement under the Tax Equalization Fund. Taking into account the complex arrangements under the Fund (covering staff assessment generated by the regular budget, peacekeeping operations, the tribunals and income section 3), any change in presentation would further restrict comparability with other presentations applied by other organizations of the United Nations system and might complicate matters in regard to ensuring a clear linkage between the programme budget and the pattern which must be followed in arriving at estimates of staff assessment.

V. Recommendation

11. **It is recommended that the United Nations maintain the format currently followed for the presentation of estimates of staff assessment. The General Assembly may wish to take note of the present report.**

Notes

[1] A/56/6 (Sect. 32), table 32.1.

[2] *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 7* (A/56/7), chap. II.B, para. XII.3.

Annex

Comparative table of budgetary presentation and staff assessment arrangements

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
(a) Organizations with a budgetary presentation on a net basis, with staff assessment added as an additional section or line item to arrive at a total budget or total appropriation on a gross basis, and with offsetting credits under tax equalization fund arrangements			
FAO	*Net budgeting* of staff costs applies throughout the budget document. However, the appropriations resolution shows a single additional amount for staff assessment, taking the total appropriation up to the gross budget level.	In establishing the actual amounts of contributions to be paid by individual member nations, the assessment of each member nation is reduced by any amount standing to its credit in the Tax Equalization Fund provided that the credit of a member nation that levies taxes on the salaries, emoluments and indemnities received from FAO by staff members is reduced by the estimated amounts of such taxes to be reimbursed to the staff member by FAO.	A *Tax Equalization Fund* was established in 1972. Member nations which do *not* levy tax on FAO staff emoluments have their full share of the staff assessment appropriation refunded by deduction from the contributions payable by them. Member nations which levy tax on FAO staff emoluments have their share of the appropriation refund for staff assessment reduced by the amount estimated to be required to meet claims from FAO staff concerned for tax reimbursement, and adjusted the following budget period.
WHO	While the budget is presented on a *gross basis*, the effective working budget is net of staff assessment. The appropriation section entitled "Transfer to Tax Equalization Fund" includes the total amount of staff assessment under the regular budget. The budget takes into account both "Credits from the Tax Equalization Fund and estimated tax reimbursement payable from the Tax Equalization Fund".	Member States are assessed taking into consideration the amounts standing to their credit in the Tax Equalization Fund.	WHO has a *Tax Equalization Fund*. For member States which levy tax on their nationals working at WHO, their estimated credit is reduced by the amounts to be paid by those nationals in reimbursement of such direct taxes.

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
(b) Organizations with a budgetary presentation and total appropriation on a net basis, with reimbursements received under a tax reimbursement agreement			
IAEA	No staff assessment; the budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded between the United States of America and IAEA on 5 April 1989. Reimbursement is made to United States citizen staff members by IAEA and the United States then reimburses IAEA as if the United States citizen's IAEA income was his/her only income (but apportioning any deductions pro rata between IAEA and private source income).
ICAO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded with the United States Government on 14 July 1992.
ILO	The budget is presented on a *net basis*. Staff assessment is not used in any way in the budget presentation, nor on the staff pay slip.	Member States are assessed on a *net basis*.	The *Tax Reimbursement Agreement* is only for the United States Government. ILO reimburses staff members who are United States citizens and sends the United States Government an invoice to reimburse ILO for the amounts so advanced.
IMO	The budget is presented on a *net basis*. Staff assessment is indicated in the scale of salaries of staff and mentioned in the Staff Rules, but not used for the programme budget.	Member States are assessed on a *net basis*.	IMO has a *Tax Reimbursement Agreement* with the United States Government in force for those staff members who are United States citizens and have entered on duty since January 1993.
ITU	The budget is presented on a *net basis*. Staff assessment is not used in any form in the budget presentation.	Members are assessed on a *net basis*.	ITU has a *Tax Reimbursement Agreement* only with the United States Government. ITU reimburses staff members who are United States citizens and invoices the United States Government for amounts paid to staff concerned.
UNIDO	The budget estimates are presented as follows: (a) Total appropriations (exclusive of staff assessment); (b) Estimated income; (c) Net requirements.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded between the United States and UNIDO on 26 March 1993. On withdrawal of membership of the United States from UNIDO, the Agreement lapsed (31 December 1996).

Organization	*Budgetary presentation*	*Financial arrangements (assessments)*	*Tax reimbursement arrangements*
UPU	The budget is presented on a *net basis*, as UPU does not have staff assessment.	Member States are assessed on a *net basis*.	UPU has a *Tax Reimbursement Agreement* only with the United States Government. UPU reimburses staff members who are United States citizens and invoices the United States Government for amounts paid to staff concerned.
WMO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis*.	A *Tax Reimbursement Agreement* was concluded with the United States Government in January 1987.
WIPO	The budget is presented on a *net basis*.	Member States are assessed on a *net basis* and according to the determined amounts for contributions.	A *Tax Reimbursement Agreement* was concluded with the United States Government in December 1988. The Government will deposit with WIPO at the earliest possible date each year a sum sufficient to cover all tax reimbursements paid by WIPO in respect of the preceding tax year, in accordance with the Agreement.
(c) Organizations with a budgetary presentation on a gross basis (i.e. staff costs include any applicable taxes to be paid for staff members), with no reimbursement arrangements with member States in respect of taxes			
UNESCO	Payments in respect of taxes are included in staff costs within the budget.	Member States are assessed on the total appropriation, which includes all staff costs.	No reimbursement arrangements.